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12 July 1955

INDONESIA

- I. President Sukarno, has postponed his pilgrimage to Mecca from 14 to 16 July, will spend week in intensive effort to solve 16-day-old Army-Cabinet crisis.
 - A. Postponement of trip probably stems from fear that developments during his absence, including possible cabinet collapse, would further damage his prestige.
 1. Prestige has been declining because of his increasing identification with National Party which is being blamed for political and economic difficulties.
 2. Army crisis began 27 June when, apparently at Sukarno's insistence, General Utoyo--commander of South Sumatra--was installed as new chief of staff over united opposition of 7 other army territorial commanders.
 - II. Sukarno is most important and probably now most active of four negotiators. Other three are:
 1. Vice President Hatta, who is quietly holding discussions with both Army leaders and Cabinet members.
 2. Vice Prime Minister Arifin, who heads government committee, (appointed 2 July to solve situation).
 3. Colonel Labis, (former acting chief of staff), who heads Army committee.
 4. Has had difficulty finding suitable government officials with whom to negotiate because he has been suspended from office.

DOCUMENT NO. **21**
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☒ DECLASSIFIED
NEXT REVIEW DATE: **10 Jan 80**
AUTH. **10 Jan 80** REVIEWER: 006514

III. Vice President Hatta is only one of four who is trusted and respected by both sides.

A. He is also only one not personally involved in crisis and therefore able to see matter objectively.

1. Sukarno may hope to get concessions from Army during week, leave Hatta to work out details.

IV. Solution will be difficult since both sides are standing fast and claim they have strong legal backing.

A. Cabinet stands on constitution, claiming Army has behaved in insubordinate and unconstitutional manner.

B. Army stands on Army-Government agreement of February 55 specified that politics be kept out of Army appointments.

1. Claims cabinet violated by installing Utoyo--relatively unqualified person and to a great extent a political appointee.

V. Other than the matter of whether or not to sack Utoyo, there appears to be confusion as to goals on both sides.

A. Colonel Simbolon (territorial commander in North Sumatra) who says he is architect of Army's stand, told an American official on 6 July that cabinet must resign.

B. However, Army proposal of 11 July (which presumably had approval of territorial commanders) asked only for replacement of Utoyo and reinstatement of Lohia.

C. Cabinet is willing to let Utoyo go if Army first accepts him for short time. Beyond this, cabinet appears to have no plans.

2. No mention has been made of disciplinary measures for Army insubordination, but--if Army backs down--something of sort will be in store.

VII. Cabinet collapse continues to be possibility, particularly if Army really intends to continue impasse.

- A. Masjumi, chief opposition party, is reported ready either to join new "caretaker" cabinet appointed by and responsible to President Sukarno or to assume responsibility for forming new government should present Ali cabinet fall.
- B. Motion of no-confidence in defense minister Iwa will be debated in parliament through 22 July, but date for vote has not been scheduled.

VIII. No official statement on coming September national elections has appeared since crisis began (27 June).

1. It is not believed Ali cabinet is considering postponement as yet.
- B. Army and opposition both want elections held on 29 September as scheduled.
 1. Masjumi secretary general stated on 26 June that a change in government would not delay elections.
 2. Among government parties and those supporting government, only Communists would now benefit from further postponement.

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